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INFO RUEHB/AMEMBASSY BEIJING PRIORITY 6248
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RUEHKO/AMEMBASSY TOKYO PRIORITY 6338
RUEHSH/AMCONSUL SHENYANG PRIORITY 4697
RHMF/COMUSKOREA J5 SEOUL KOR PRIORITY
RUACAAA/COMUSKOREA INTEL SEOUL KOR PRIORITY
RHMF/COMUSFK SEOUL KOR PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY

C O N F I D E N T I A L SEOUL 001080

SIPDIS

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TAGS: PGOV PREL ECON KS KN
SUBJECT: NO BREAKTHROUGH AT KAESONG; NORTH-SOUTH IMPASSE
CONTINUES

REF: SEOUL 01005

Classified By: A/DCM Joseph Yun. Reasons 1.4 (b/d).

¶11. (C) Summary: The fourth round of inter-Korean negotiations at the Kaesong Industrial Complex (KIC) on July 2 adjourned without significant results. The ROKG continued to emphasize the need for the ROK detainee's release; DPRK was solely focused on the USD 500 million fee, increased wages, and land lease fees. The ROKG anticipates more difficult times ahead in inter-Korean negotiations, but remains hopeful that the KIC will not be forced to close. To date, one KIC apparel firm has officially pulled out, but more will follow if the situation at KIC does not improve soon. End Summary.

¶12. (SBU) The 70-minute morning session of the fourth round of the KIC talks took place on July 2, following April 21, June 11 and 19 meetings. Unlike the previous round on June 19, the July 2 talks were brief and without any "unofficial" meetings during breaks. Kim Yong-tak and Park Chul-soo remained as delegation heads for South and North Korea, respectively.

Entering a "Famine" in Inter-Korean Dialogue

¶13. (C) Ministry of Unification (MOU) Director General for Dialogue Planning Department Suh Ho described the July 2 talks as "the worst round" so far. The North Korean delegation did not show any response to the ROKG's repeated demands to release the Hyundai Asan employee, Mr. Yu, who has been detained in North Korea since March 30. The North also ignored the ROKG proposal to make headway on pending issues from the previous round, including discussions on the "Guiding Principles for the Development of KIC," a joint trip to a Vietnamese industrial park, and border crossing restrictions placed on December 1, 2008 (see reftel). The ROKG suggestion to discuss dormitory and nursery construction for the North Korean workers and to establish a "Joint Committee on Passage and Stay" also failed to gain North Korean attention.

¶14. (C) The one and only focus for the DPRK delegation was money: a USD 500 million "one-time" fee, increase in wages and land lease fees, all of which the ROKG rejected in the previous round on June 19 (reftel). Because the two sides could not narrow their differences, the afternoon session was canceled and the talks ended without setting the next meeting date.

¶ 15. (C) MOU interpreted the North's lack of flexibility and refusal to engage in any meaningful discussion as its desire to "take a break." DG Suh believed the inter-Korean dialogue had entered a "famine," likely to continue through the joint U.S.-ROK military exercise in August. The ROKG will suggest meeting for another round of talks at the KIC before the exercise begins, Suh said.

ROKG Priority: Detainee Release

¶ 16. (C) Separately, another senior MOU official told POL M/C that while it is clearly not possible for the ROKG to cave on the North's demand for USD 500 million, "something" could be worked out if Mr. Yu could be released. That "something" could be in the form of food aid to the DPRK or a child care center in the KIC. As for wage and rent increases, the ROKG could engage in this discussion only after the resolution of Mr. Yu's case. KIC businesses have indicated to MOU that if the North could make it easier to ship goods, material and personnel across the border, the companies would save costs, which would then make it possible for them to hike wages and rents.

¶ 17. (SBU) To date, one apparel company, SkinNet, has officially withdrawn from the KIC. Other small and medium-sized companies are barely holding on, incurring a loss over USD 31 million in the past six months, but would not be able to survive a long-term impasse of the KIC talks.
STEPHENS